

2021

ANNUAL
REPORT

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PEOPLES TRUST *Company*

The bank with a *heart*

Balance Sheets

Statements of Income

Statements of Comprehensive Income

Statements of Changes in Shareholders' Equity

Statements of Cash Flows

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2021

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A N N U A L
R E P O R T



Looking to the future.

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2021

BRANCH
LOCATIONS

2021

BRANCH
LOCATIONS



Main Office
25 Kingman Street
St. Albans, VT



Enosburg Falls
140 Main Street
Enosburg Falls, VT



Franklin Park West
1 Franklin Park West
St. Albans, VT



Georgia
1127 Ethan Allen Highway
Georgia, VT



Swanton
123 First Street
Swanton, VT

Customer Service

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(802) 524-2196

Toll Free:
(800) 479-2196

Telephone Banking:
(802) 524-5054
(800) 203-9575

PEOPLES TRUST
Company

The bank with a heart

PEOPLES TRUST
Company

The bank with a heart

March 1, 2021

Dear Peoples Trust Company Shareholder,

Enclosed please find the Peoples Trust Company 2021 Audited Financial Report. Once again, I believe you will be pleased with the financial results of your bank. While the year was challenging for staff and customers with the continued presence of COVID 19 variants, once again we adapted and persevered. Our focus was to support the communities we serve and to seek growth opportunities for the future. To that extent, I am proud to acknowledge the hard work of many of the PTC team as we completed a conversion to a new online banking platform this year. We feel this enhanced and more robust online offering will position the bank well for the foreseeable future and provide our customers with more depth and value in our digital banking services. I would invite you all to download the app and experience it for yourself.

Here are a few of the financial highlights of the year ending December 31, 2021 compared to year ending December 31, 2020. Please find more detail in the accompanying pages of this report:

- **Net income increased by \$125,859, or 5.7%, to \$2,320,703.**
- **Total assets increased by \$44,427,849, or 13.2% to, \$382,005,862.**
- **Net Loans in the owned portfolio increased by \$1,166,141, or less than 1.0%, to \$179,075,042.**
- **Net Loans in the serviced portfolio increased by \$11,805,274, or 8.9%, to \$144,554,153.**
- **Book value per share increased by 3.3% to \$65.83 per share as of December 31, 2021.**

As you will read in the forthcoming pages of this report, the bank had one of its strongest overall years in the history of the organization with record net earnings, strong asset growth, very low delinquency and low non-performing loans. The customers we serve benefitted from Federal and State COVID relief programs, which contributed to our robust deposit growth over the last two years. Peoples Trust Company fully participated in the Paycheck Protection Program and benefitted significantly in 2021 from the associated fee income through the loan forgiveness process. Strong residential refinance activity throughout the year greatly contributed to the overall increase in earnings performance.

While we have enjoyed solid earnings over the past few years, the low interest rate environment has been challenging. Earnings have been supplemented with one-time or short term events such as the Paycheck Protection Program fees, mortgage refinancing activity and the receipt of the Employee Retention Credit. While the prospect of the Federal Open Market Committee raising rates throughout 2022 is promising, we anticipate net income could be lower in the coming year, due to the loss of these aforementioned onetime/short-term income events. Peoples Trust Company is well positioned to benefit from rising interest rates.

Your Board of Directors continue to work diligently to provide guidance, expertise and focus on increasing shareholder value. In 2021, this included the revision of job descriptions, a Director Evaluation process and greater attention to business development. This is in addition to our work on the strategic plan and our continued fiduciary responsibility. Our commitment to enhancing shareholder value remains strong and we are proud of our incremental achievements. Earnings per Share increased from \$3.81 to \$4.06 during the year.

As always, none of what we have accomplished this past year would have been possible without the effort of our dedicated and talented staff. I am honored to work with such a capable team.

On behalf of all of us at the Peoples Trust Company, I want to thank you for your investment in the “Bank with a Heart”.

Sincerely,



Thomas J. Gallagher, President/CEO
President/CEO of Peoples Trust Company



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CPAs & Advisors Since 1920

PEOPLES TRUST COMPANY OF ST. ALBANS

FINANCIAL REPORT

DECEMBER 31, 2021



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Peoples Trust Company of St. Albans
St. Albans, Vermont

Opinion

We have audited the accompanying financial statements of Peoples Trust Company of St. Albans which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Peoples Trust Company of St. Albans as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Peoples Trust Company of St. Albans and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Peoples Trust Company of St. Albans's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

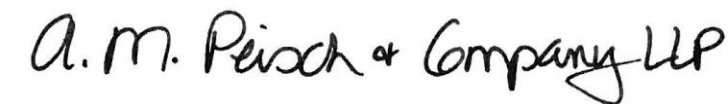
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Peoples Trust Company of St. Albans's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Peoples Trust Company of St. Albans's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Rutland, Vermont
February 9, 2022
VT Reg. No. 92-0000102

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**PEOPLES TRUST COMPANY OF ST. ALBANS
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020**

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 3,739,364	\$ 6,733,300
Interest bearing deposits with banks	121,769,333	77,112,072
Certificates of deposit	2,994,000	3,740,000
Securities available-for-sale	61,347,187	55,878,642
Federal Home Loan Bank stock, at cost	223,700	223,700
Loans held for sale	-	2,854,900
Loans receivable, net	179,075,042	177,908,901
Premises and equipment, net	5,623,355	6,313,901
Accrued interest receivable	851,611	946,455
Bank owned life insurance	4,177,172	4,089,891
Other assets	2,205,098	1,776,251
	<u>\$ 382,005,862</u>	<u>\$ 337,578,013</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Demand deposits	\$ 131,520,277	\$ 121,735,494
Savings, NOW, and money market deposits	158,833,460	125,786,363
Time deposits \$250,000 and over	8,793,212	8,902,276
Other time deposits	40,803,369	39,964,356
	<u>339,950,318</u>	<u>296,388,489</u>
Repurchase agreements	3,250,000	3,210,809
Accrued interest payable and other liabilities	1,318,468	1,456,510
	<u>344,518,786</u>	<u>301,055,808</u>
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Common stock - \$0.50 par value; 2,000,000 shares authorized; 569,474 and 573,142 shares issued and outstanding in 2021 and 2020, respectively	284,737	286,571
Additional paid-in capital	8,381,685	8,381,685
Retained earnings	28,062,694	26,502,598
Accumulated other comprehensive income	757,960	1,351,351
	<u>37,487,076</u>	<u>36,522,205</u>
Total liabilities and shareholders' equity	<u>\$ 382,005,862</u>	<u>\$ 337,578,013</u>

See notes to financial statements.

**PEOPLES TRUST COMPANY OF ST. ALBANS
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
Interest income:		
Interest and fees on loans	\$ 9,099,905	\$ 9,343,953
Interest and dividends on investment securities:		
U.S. government and federal agencies	283,606	351,134
CD's with banks	87,558	98,039
Other investments	756,378	747,283
Interest on federal funds sold and other interest bearing deposits	110,909	76,886
	<u>10,338,356</u>	<u>10,617,295</u>
Total interest income		
Interest expense:		
Interest on deposits	949,380	906,377
Interest on repurchase agreements	7,827	7,311
	<u>957,207</u>	<u>913,688</u>
Total interest expense		
Net interest income	9,381,149	9,703,607
Less provision for loan losses	-	600,000
	<u>9,381,149</u>	<u>9,103,607</u>
Net interest income after provision for loans losses		
Other income:		
Service charges on deposit accounts	538,087	574,426
Other service charges and fees	387,290	368,785
Interchange fees	1,015,941	900,951
Gain on sale of loans	1,451,363	2,169,336
Loss on sale of securities, net	-	(52)
Other income	337,958	302,893
	<u>3,730,639</u>	<u>4,316,339</u>
Total other income		
Other expenses:		
Salaries and employee benefits	5,963,955	6,408,496
Occupancy and equipment expense	1,101,403	1,133,052
Software maintenance	592,735	649,589
(Gain) loss on sale of premises and equipment	(38,924)	11,061
Interchange expense	484,716	433,475
State franchise tax	323,659	272,170
Impairment loss	41,293	239,000
Other expense	1,900,760	2,038,216
	<u>10,369,597</u>	<u>11,185,059</u>
Total other expenses		
Income before income taxes	2,742,191	2,234,887
Income tax expense	421,484	40,043
	<u>\$ 2,320,707</u>	<u>\$ 2,194,844</u>
Net income		
Earnings per common share	<u>\$ 4.06</u>	<u>\$ 3.81</u>

See notes to financial statements.

**PEOPLES TRUST COMPANY OF ST. ALBANS
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
Net income	\$ 2,320,707	\$ 2,194,844
Other comprehensive (loss) income:		
Unrealized (loss) gain on securities:		
Unrealized holding (losses) gains arising during period	(751,126)	1,178,668
Tax effect	<u>157,735</u>	<u>(247,520)</u>
	(593,391)	931,148
Less: reclassification adjustment for losses included in income	-	52
Tax effect	<u>-</u>	<u>(11)</u>
	-	41
Other comprehensive (loss) income, net of tax:	(593,391)	931,189
Comprehensive income	<u>\$ 1,727,316</u>	<u>\$ 3,126,033</u>

See notes to financial statements.

**PEOPLES TRUST COMPANY OF ST. ALBANS
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, January 1, 2020	\$ 291,819	\$ 8,381,685	\$ 25,438,373	\$ 420,162	\$ 34,532,039
Net income	-	-	2,194,844	-	2,194,844
Other comprehensive income	-	-	-	931,189	931,189
Stock buyback	(5,248)	-	(583,319)	-	(588,567)
Cash dividends paid	<u>-</u>	<u>-</u>	<u>(547,300)</u>	<u>-</u>	<u>(547,300)</u>
Balance, December 31, 2020	286,571	8,381,685	26,502,598	1,351,351	36,522,205
Net income	-	-	2,320,707	-	2,320,707
Other comprehensive loss	-	-	-	(593,391)	(593,391)
Stock buyback	(1,834)	-	(218,046)	-	(219,880)
Cash dividends paid	<u>-</u>	<u>-</u>	<u>(542,565)</u>	<u>-</u>	<u>(542,565)</u>
Balance, December 31, 2021	<u>\$ 284,737</u>	<u>\$ 8,381,685</u>	<u>\$ 28,062,694</u>	<u>\$ 757,960</u>	<u>\$ 37,487,076</u>

See notes to financial statements.

**PEOPLES TRUST COMPANY OF ST. ALBANS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,320,707	\$ 2,194,844
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	466,484	464,249
Provision for loan losses	-	600,000
Net change in deferred taxes	96,845	(168,095)
(Increase) decrease in taxes receivable	(62,453)	93,905
Increase in taxes payable	-	112,907
Gain on sale of loans	(1,451,363)	(2,169,336)
(Gain) loss on sale of premises and equipment	(38,924)	11,061
Loss on sale of securities, net	-	52
Impairment loss	41,293	239,000
Amortization, net	638,818	556,266
Decrease (increase) in loans held for sale	2,854,900	(2,337,609)
(Increase) decrease in deferred loan fees	(177,181)	301,472
Decrease in accrued interest receivable	94,844	87,059
Increase in bank owned life insurance	(87,281)	(88,439)
(Increase) decrease in other assets	(463,239)	422,058
Increase in accrued expenses and other liabilities	19,693	98,573
	<u>4,253,143</u>	<u>417,967</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in interest bearing deposits with banks	(44,657,261)	(67,810,462)
Proceeds from sales, maturities, and paydowns of securities available-for-sale	12,172,149	15,626,261
Proceeds from sales, maturities, and paydowns of certificates of deposit	746,000	-
Purchase of securities available-for-sale	(19,030,638)	(18,386,467)
Net change in Federal Home Loan Bank stock	-	(3,000)
Loan originations, net of repayments	297,575	6,099,732
Recoveries of loans charged off	164,828	33,365
Proceeds from sale of premises and equipment	663,777	-
Purchases of premises and equipment	(442,084)	(356,536)
	<u>(50,085,654)</u>	<u>(64,797,107)</u>
Net cash used by investing activities		

See notes to financial statements.

**PEOPLES TRUST COMPANY OF ST. ALBANS
STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in demand, savings, NOW and money market deposits	\$ 42,831,880	\$ 66,830,172
Net increase in time deposits	729,949	502,758
Net increase in repurchase agreements	39,191	28,152
Repurchase of common stock	(219,880)	(588,567)
Dividends paid	(542,565)	(547,300)
	<u>42,838,575</u>	<u>66,225,215</u>
Net cash provided by financing activities		
Net (decrease) increase in cash and cash equivalents	(2,993,936)	1,846,075
Cash and cash equivalents		
Beginning	<u>6,733,300</u>	<u>4,887,225</u>
Ending	<u>\$ 3,739,364</u>	<u>\$ 6,733,300</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash payments for:		
Interest	<u>\$ 966,611</u>	<u>\$ 910,243</u>
Income taxes	<u>\$ 500,000</u>	<u>\$ 1,325</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Total change in unrealized gain on securities available-for-sale	<u>\$ (751,126)</u>	<u>\$ 1,178,720</u>

**PEOPLES TRUST COMPANY OF ST. ALBANS
NOTES TO FINANCIAL STATEMENTS**

Note 1. Significant Accounting Policies

The accounting policies of Peoples Trust Company of St. Albans (the Bank) are in conformity with U. S. generally accepted accounting principles and general practices within the banking industry. The following is a description of the more significant policies.

Nature of operations

The Bank provides a variety of financial services to individuals, municipalities, commercial, and non-profit customers through its branches in northwestern Vermont, which is primarily a small business and agricultural area. The Bank's primary deposit products are checking and savings accounts and certificates of deposit. Its primary lending products are commercial, real estate, agricultural, and consumer loans.

Concentration of risk

The Bank's operations are affected by various risk factors, including interest-rate risk, credit risk, and risk from geographic concentration of lending activities. Management attempts to manage interest rate risk through various asset/liability management techniques designed to match maturities of assets and liabilities. Loan policies and administration are designed to provide assurance that loans will only be granted to credit-worthy borrowers, although credit losses are expected to occur because of subjective factors and factors beyond the control of the Bank. In addition, the Bank is a community bank and, as such, is mandated by the Community Reinvestment Act and other regulations to conduct most of its lending activities within the geographic area where it is located. Although the Bank has a diversified loan portfolio and economic conditions are stable, a substantial portion of its loan portfolio is secured by real estate and most of its lending activities are conducted in northern Vermont. As a result, the Bank and its borrowers may be especially vulnerable to the consequences of changes in the local economy and real estate market conditions. Note 3 discusses the types of investments the Bank invests in, and Note 5 discusses the type of lending the Bank engages in.

Use of estimates

In preparing financial statements in conformity with U. S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, accumulated depreciation based on estimated useful lives of assets, the valuation of foreclosed real estate, and deferred tax assets.

Presentation of cash flows

For purposes of presentation in the statements of cash flows, cash and cash equivalents include cash on hand and amounts due from banks (including cash items in process of clearing).

Note 1. Significant Accounting Policies (Continued)

Investment securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as held-to-maturity and recorded at amortized cost. Securities not classified as held-to-maturity are classified as available-for-sale and recorded at fair value with unrealized gains and losses excluded from earnings and reported in other comprehensive income net of tax. Purchase premiums and discounts are recognized in interest income using methods approximating the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary, result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Federal Home Loan Bank stock

As a member of the Federal Home Loan Bank, the Bank is required to invest in \$100 par value stock of the Federal Home Loan Bank. The stock is nonmarketable and is carried at cost. When redeemed, the Bank will receive from the Federal Home Loan Bank an amount equal to the par value of the stock.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal adjusted for any charge-offs, the allowance for loan losses and unearned fees. Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Sales are made primarily without recourse. Net unrealized losses are recognized through a valuation allowance by charges to income.

Loan interest income is accrued daily on the outstanding balances. Accrual of interest is discontinued when a loan is specifically determined to be impaired or when the loan is delinquent 90 days and management believes that, after considering collection efforts and other factors, the borrower's financial condition is such that collection of interest is doubtful. Any unpaid interest previously accrued on those loans is reversed from income. Interest income generally is not recognized on specific impaired loans unless the likelihood of further loss is remote. Interest payments received on such loans are generally applied as a reduction of the loan principal balance. Interest income on other nonaccrual loans is recognized only to the extent of interest payments received. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Loans are charged off when collection of principal is considered doubtful. Past due status is determined on a contractual basis.

Note 1. Significant Accounting Policies (Continued)

Loan origination and commitment fees and certain direct loan origination costs are deferred and amortized as an adjustment of the related loan's yield using methods that approximate the interest method. The Bank is generally amortizing these amounts over the contractual life.

Allowance for loan losses

The allowance for loan losses is maintained at a level that, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, and trends in historical loss experience, specific impaired loans, and economic conditions. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. Although management uses available information to recognize losses on loans, because of uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. Subsequent recoveries, if any, are credited to the allowance.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Impaired loans may also include loans which have been restructured. A troubled debt restructuring occurs when the Bank grants a concession to a borrower, for legal or economic reasons, that is experiencing financial difficulties. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Impairment is measured on a loan-by-loan basis, primarily for commercial loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not generally identify individual consumer and residential loans for impairment disclosures, unless those loans are subject to restructuring agreements or are part of a larger impaired customer relationship.

Bank premises and equipment

Bank premises and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line and accelerated methods over the estimated useful lives of the related assets. The cost of assets sold or otherwise disposed of and the related allowance for depreciation is eliminated from the accounts and the resulting gains or losses are reflected in the income statement. Maintenance and repairs are charged to current expense as incurred and the cost of major renewals and betterments are capitalized.

Note 1. Significant Accounting Policies (Continued)

Other real estate owned

Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at the lower of the Bank's carrying amount or fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, these assets are carried at the lower of their new cost basis or fair value less cost to sell. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its costs or fair value less cost to sell.

Mortgage servicing

The Bank recognizes, as separate assets, rights to service mortgage loans for others however those servicing rights are acquired. When the Bank acquires mortgage servicing rights through either the purchase or origination of mortgage loans (originated mortgage servicing rights) and sells or securitizes those loans with servicing rights retained, it allocates the total cost of the mortgage loans to the mortgage servicing rights and the loans (without the mortgage servicing rights) based on their relative fair values. To determine the fair value of the servicing rights created, the Bank uses the market prices under comparable servicing sale contracts. The cost of mortgage servicing rights is amortized in proportion to, and over the period of, estimated net servicing revenues. Impairment of mortgage servicing rights is assessed based on the fair value of those rights. Fair values are estimated using discounted cash flows based on a current market interest rate.

Pension plan

Pension costs relating to the Bank's defined contribution plan are charged to employee benefits expense and are funded as accrued.

Advertising costs

The Bank expenses advertising costs as incurred.

Income taxes

The Bank recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are established for the temporary differences between the accounting basis and the tax basis of the Bank's assets and liabilities at enacted tax rates expected to be in effect when the amounts related to such temporary differences are realized or settled. Adjustments to the Bank's deferred tax assets are recognized as deferred income tax expense or benefit based on management's judgments relating to the realizability of such assets. Historic rehabilitation, low income housing, and new markets tax credits are recognized as a reduction of income tax expense in the years they are earned.

Note 1. Significant Accounting Policies (Continued)

Generally accepted accounting standards prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Management reviews the inventory of tax positions taken at each reporting period to assess the more-likely-than-not recognition threshold. Previously recognized tax positions that no longer meet the more-likely-than-not recognition threshold are derecognized in the first subsequent financial reporting period in which that threshold is no longer met.

Fair value measurements

Fair values of financial instruments are estimated using relevant market information and other assumptions. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

- Level 1 – Valuation is based on quoted prices in active markets for identical assets or liabilities that the Bank has the ability to access at the measurement date. Level one assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities;
- Level 2 – Valuation is based on inputs other than quoted prices included within level one that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability;
- Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level three assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

Off-balance-sheet financial instruments

In the ordinary course of business, the Bank is party to off-balance-sheet financial instruments consisting of commitments to extend credit, unused lines of credit, commercial letters of credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they become payable.

Note 1. Significant Accounting Policies (Continued)

Earnings per common share

Earnings per common share are computed based on the weighted average number of shares of common stock outstanding during the period, retroactively adjusted for stock splits. The weighted average shares outstanding were 571,318 and 576,200 for the years ended December 31, 2021 and 2020, respectively.

Transfer and servicing of financial assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Comprehensive income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income or in a separate statement. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities are reported net of the tax effect in the statement of comprehensive income.

Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses*. The standard requires financial assets to be measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that will be deducted from the amortized cost basis of the financial assets to present the net carrying value at the amount expected to be collected on the financial statements. The income statement will reflect the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. The measurement of expected credit losses is to be based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. In addition, credit losses relating to available-for-sale debt securities should be recorded through an allowance for credit losses. The amount of this allowance for credit losses will be limited to the amount by which the fair value is below amortized cost. The standard is effective for reporting periods beginning after December 15, 2022, including interim periods within those fiscal years. The impact of this standard on the financial statements is yet to be determined.

Note 2. Restrictions on Cash and Due from Banks

The Bank is required to maintain reserve and clearing balances in cash with Atlantic Community Bankers Bank. The totals of the reserve balances was approximately \$250,000 at December 31, 2021 and 2020, respectively.

The nature of the Bank's business requires that it maintain amounts due from banks, which, at times, may exceed federally insured limits. No losses have been experienced on these accounts.

Note 3. Investment Securities

Securities available-for-sale (AFS) consists of the following:

AFS	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2021				
U.S. Government and Federal Agencies State and municipal securities	\$ 35,332,514	\$ 667,172	\$ 240,967	\$ 35,758,719
	<u>25,055,229</u>	<u>650,307</u>	<u>117,068</u>	<u>25,588,468</u>
	<u>\$ 60,387,743</u>	<u>\$ 1,317,479</u>	<u>\$ 358,035</u>	<u>\$ 61,347,187</u>
December 31, 2020				
U.S. Government and Federal Agencies State and municipal securities	\$ 33,814,383	\$ 1,181,867	\$ 5,643	\$ 34,990,607
	<u>20,353,689</u>	<u>553,005</u>	<u>18,659</u>	<u>20,888,035</u>
	<u>\$ 54,168,072</u>	<u>\$ 1,734,872</u>	<u>\$ 24,302</u>	<u>\$ 55,878,642</u>

Included in the caption "Securities AFS: U. S. Government and Federal Agencies" are mortgage-backed securities as follows:

	Amortized Cost	Fair Value
December 31, 2021	<u>\$ 20,854,179</u>	<u>\$ 21,092,319</u>
December 31, 2020	<u>\$ 20,088,754</u>	<u>\$ 20,662,361</u>

Proceeds from the sale of securities available-for-sale were \$-0- and \$1,330,000 in 2021 and 2020, respectively.

Gross realized gains and gross realized losses on sales of investments available-for-sale were \$-0- in 2021 and \$-0- and \$52 in 2020.

Note 3. Investment Securities (Continued)

The scheduled maturities of securities-available for sale and securities held-to-maturity at December 31, 2021 were as follows:

	Available-for-Sale Securities	
	Amortized Cost	Fair Value
Due within one year	\$ 2,600,953	\$ 2,642,900
Due from one to five years	7,391,997	7,590,709
Due from five to ten years	7,123,340	7,073,627
Due in greater than ten years	22,417,274	22,947,632
Mortgage-backed securities	<u>20,854,179</u>	<u>21,092,319</u>
	<u>\$ 60,387,743</u>	<u>\$ 61,347,187</u>

Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

Assets, principally securities, with amortized cost of \$8,548,732 and \$8,233,019 and with fair values of \$8,755,073 and \$8,692,166 at December 31, 2021 and 2020, respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

Information pertaining to securities with gross unrealized losses at December 31, 2021 and 2020, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2021						
U.S. Government and Federal Agencies	\$ 13,787,564	\$ (201,468)	\$ 2,107,247	\$ (39,499)	\$ 15,894,811	\$ (240,967)
State and municipal securities	<u>6,061,100</u>	<u>(99,942)</u>	<u>2,227,418</u>	<u>(17,126)</u>	<u>8,288,518</u>	<u>(117,068)</u>
Total	<u>\$ 19,848,664</u>	<u>\$ (301,410)</u>	<u>\$ 4,334,665</u>	<u>\$ (56,625)</u>	<u>\$ 24,183,329</u>	<u>\$ (358,035)</u>

Note 3. Investment Securities (Continued)

	<u>Less Than 12 Months</u>		<u>12 Months or Greater</u>		<u>Total</u>	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2020						
U.S. Government and Federal Agencies	\$ 2,506,156	\$ (5,643)	\$ -	\$ -	\$ 2,506,156	\$ (5,643)
State and municipal securities	3,200,294	(18,659)	-	-	3,200,294	(18,659)
Total	\$ 5,706,450	\$ (24,302)	\$ -	\$ -	\$ 5,706,450	\$ (24,302)

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2021, the sixteen debt securities and sixteen municipal bonds with unrealized losses have depreciated less than 2% from the Bank's amortized cost basis. These securities are guaranteed by the U. S. or State and municipal governments or other Federal Agencies. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the Federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other-than-temporary.

Note 4. Loan Servicing

Mortgage loans serviced for others are not included in the accompanying balance sheets. The unpaid principal balances of mortgage loans serviced for others were \$144,554,153 and \$132,748,880 at December 31, 2021 and 2020, respectively. The carrying amounts of mortgage service rights which approximate their fair value were \$803,262 and \$660,043 at December 31, 2021 and 2020, respectively. Mortgage service rights of \$318,556 and \$348,381 were capitalized in 2021 and 2020, respectively. Amortization of mortgage services rights was \$175,337 and \$153,139 in 2021 and 2020, respectively.

Note 5. Loans

The composition of net loans at December 31 is as follows:

	2021	2020
Residential real estate	\$ 55,377,133	\$ 49,954,515
Commercial real estate	79,168,846	81,151,742
Commercial	11,320,793	18,170,341
Agricultural real estate	17,144,097	17,736,264
Agricultural	1,005,131	1,251,377
Consumer	7,093,890	6,247,625
Municipal	11,067,426	6,521,700
Gross loans	182,177,316	181,033,564
Net deferred loan costs	(137,980)	(315,161)
Allowance for loan losses	(2,964,294)	(2,809,502)
Net loans	\$ 179,075,042	\$ 177,908,901

A summary of current, past due, and nonaccrual loans as of December 31, 2021 and 2020 were as follows:

December 31, 2021	Current	30-89 days	Over 90 days and accruing	Nonaccrual	Total
Residential real estate	\$ 54,933,389	\$ 83,752	\$ -	\$ 359,992	\$ 55,377,133
Commercial real estate	78,736,035	-	-	432,811	79,168,846
Commercial	11,320,793	-	-	-	11,320,793
Agricultural real estate	17,038,834	-	-	105,263	17,144,097
Agricultural	1,005,131	-	-	-	1,005,131
Consumer	7,079,144	14,746	-	-	7,093,890
Municipal	11,067,426	-	-	-	11,067,426
Total	\$ 181,180,752	\$ 98,498	\$ -	\$ 898,066	\$ 182,177,316

Note 5. Loans (Continued)

December 31, 2020	Current	30-89 days	Over 90 days and accruing	Nonaccrual	Total
Residential real estate	\$ 49,257,308	\$ 255,629	\$ -	\$ 441,578	\$ 49,954,515
Commercial real estate	79,907,247	30,116	-	1,214,379	81,151,742
Commercial	18,170,341	-	-	-	18,170,341
Agricultural real estate	17,616,055	-	-	120,209	17,736,264
Agricultural	1,251,377	-	-	-	1,251,377
Consumer	6,230,389	6,223	-	11,013	6,247,625
Municipal	6,521,700	-	-	-	6,521,700
Total	\$ 178,954,417	\$ 291,968	\$ -	\$ 1,787,179	\$ 181,033,564

Note 6. Allowance for Loan Losses and Credit Quality

Changes in the Allowance for loan losses for the years ended December 31, 2021 and 2020 were as follows:

	Residential Real Estate	Commercial Real Estate	Commercial	Agricultural Real Estate	Agricultural, Consumer and Municipal	Unallocated	Total
Balance December 31, 2020	\$ 496,730	\$ 878,534	\$ 314,309	\$ 333,701	\$ 541,956	\$ 244,272	\$ 2,809,502
Provision for loan losses	92,359	(56,291)	(154,155)	176,633	(144,275)	85,729	-
Recoveries of amounts charged off	33,810	113,887	-	1,956	15,175	-	164,828
	622,899	936,130	160,154	512,290	412,856	330,001	2,974,330
Amounts charged off	-	-	-	-	(10,036)	-	(10,036)
Balance December 31, 2021	\$ 622,899	\$ 936,130	\$ 160,154	\$ 512,290	\$ 402,820	\$ 330,001	\$ 2,964,294
Balance December 31, 2019	\$ 186,276	\$ 1,290,641	\$ 160,641	\$ 240,881	\$ 260,203	\$ 109,430	\$ 2,248,072
Provision for loan losses	336,600	(418,010)	153,668	92,005	300,895	134,842	600,000
Recoveries of amounts charged off	3,000	12,930	-	815	16,620	-	33,365
	525,876	885,561	314,309	333,701	577,718	244,272	2,881,437
Amounts charged off	(29,146)	(7,027)	-	-	(35,762)	-	(71,935)
Balance December 31, 2020	\$ 496,730	\$ 878,534	\$ 314,309	\$ 333,701	\$ 541,956	\$ 244,272	\$ 2,809,502

Despite the above allocation, the Allowance for loan losses is general in nature and is available to absorb loss from any loan type.

Note 6. Allowance for Loan Losses and Credit Quality (Continued)

At December 31, 2021 and 2020, the allocation of the Allowance for loan losses summarized on the basis of the Bank's impairment methodology was as follows:

	Residential Real Estate	Commercial Real Estate	Commercial	Agricultural Real Estate	Agricultural, Consumer and Municipal	Unallocated	Total
December 31, 2021							
Individually evaluated for impairment	\$ 15,269	\$ 36,674	\$ -	\$ 32,198	\$ -	\$ -	\$ 84,141
Collectively evaluated for impairment	607,630	899,456	160,154	480,092	402,820	330,001	2,880,153
Allocated	\$ 622,899	\$ 936,130	\$ 160,154	\$ 512,290	\$ 402,820	\$ 330,001	\$ 2,964,294

	Residential Real Estate	Commercial Real Estate	Commercial	Agricultural Real Estate	Agricultural, Consumer and Municipal	Unallocated	Total
December 31, 2020							
Individually evaluated for impairment	\$ 7,427	\$ 29,794	\$ -	\$ 41,842	\$ -	\$ -	\$ 79,063
Collectively evaluated for impairment	489,303	848,740	314,309	291,859	541,956	244,272	2,730,439
Allocated	\$ 496,730	\$ 878,534	\$ 314,309	\$ 333,701	\$ 541,956	\$ 244,272	\$ 2,809,502

The recorded investment in loans summarized on the basis of the Bank's impairment methodology as of December 31, 2021 and 2020 were as follows:

	Residential Real Estate	Commercial Real Estate	Commercial	Agricultural Real Estate	Agricultural and Municipal	Consumer and Municipal	Total
December 31, 2021							
Individually evaluated for impairment	\$ 620,969	\$ 556,719	\$ 15,632	\$ 518,525	\$ 170,044	\$ -	\$ 1,881,889
Collectively evaluated for impairment	54,756,164	78,612,127	11,305,161	16,625,572	835,087	18,161,316	180,295,427
Allocated	\$ 55,377,133	\$ 79,168,846	\$ 11,320,793	\$ 17,144,097	\$ 1,005,131	\$ 18,161,316	\$ 182,177,316

	Residential Real Estate	Commercial Real Estate	Commercial	Agricultural Real Estate	Agricultural and Municipal	Consumer and Municipal	Total
December 31, 2020							
Individually evaluated for impairment	\$ 982,725	\$ 1,722,839	\$ 18,574	\$ 1,094,377	\$ 299,570	\$ -	\$ 4,118,085
Collectively evaluated for impairment	48,971,790	79,428,903	18,151,767	16,641,887	951,807	12,769,325	176,915,479
Allocated	\$ 49,954,515	\$ 81,151,742	\$ 18,170,341	\$ 17,736,264	\$ 1,251,377	\$ 12,769,325	\$ 181,033,564

Note 6. Allowance for Loan Losses and Credit Quality (Continued)

The following table summarizes the loan ratings applied to the Bank's loan types as of December 31, 2021 and 2020:

December 31, 2021	Residential	Commercial	Commercial	Agricultural	Agricultural	Consumer	Total
	Real Estate	Real Estate		Real Estate		and Municipal	
Satisfactory	\$ 54,188,726	\$ 73,203,316	\$ 11,015,709	\$ 13,749,165	\$ 672,885	\$ 18,159,616	\$ 170,989,417
Watch	586,476	5,479,204	305,084	2,599,960	162,202	993	9,133,919
OAEM	-	-	-	-	-	-	-
Substandard	601,931	486,326	-	794,972	170,044	707	2,053,980
Doubtful	-	-	-	-	-	-	-
Total	\$ 55,377,133	\$ 79,168,846	\$ 11,320,793	\$ 17,144,097	\$ 1,005,131	\$ 18,161,316	\$ 182,177,316

December 31, 2020	Residential	Commercial	Commercial	Agricultural	Agricultural	Consumer	Total
	Real Estate	Real Estate		Real Estate		and Municipal	
Satisfactory	\$ 48,254,899	\$ 76,022,189	\$ 17,896,861	\$ 13,533,170	\$ 905,297	\$ 12,767,625	\$ 169,380,041
Watch	1,030,426	3,598,204	272,030	2,829,105	46,510	993	7,777,268
OAEM	-	-	-	-	-	-	-
Substandard	669,190	1,531,349	1,450	1,373,989	299,570	707	3,876,255
Doubtful	-	-	-	-	-	-	-
Total	\$ 49,954,515	\$ 81,151,742	\$ 18,170,341	\$ 17,736,264	\$ 1,251,377	\$ 12,769,325	\$ 181,033,564

The following is an overview of the Bank's loan rating system:

1-3 Rating – Satisfactory

Risk-rating grades "1" through "3" comprise those loans ranging from lower than average credit risk which indicates borrowers with high liquidity, excellent financial condition, strong management, favorable industry trends or loans secured by highly liquid assets through marginal credit risk, which while credit worthy, exhibit some characteristics which require special attention by the account officer.

4 Rating – Watch

These loans are characterized by adequate collateral but recent declining financial, reporting or management trends such as marginal cash flow, marginal profitability, etc.

5 Rating – Other Assets Especially Mentioned (OAEM)

Special mention assets have potential weaknesses that deserve management's close attention and monitoring until resolved. OAEMs are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification currently but might warrant adverse classification if correction of the weakness does not take place in the short term.

6 Rating – Substandard

Loans rated substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged. Assets have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if deficiencies are not corrected.

Note 6. Allowance for Loan Losses and Credit Quality (Continued)

7 Rating - Doubtful

An asset classified doubtful has all the weaknesses inherent in one classified substandard, with the added characteristic that weaknesses make collection or liquidation in full, on the basis of existing facts, conditions and values, highly questionable and improbable.

The following table provides information with respect to impaired loans as of and for the year ended December 31, 2021 and 2020, respectively:

	December 31, 2021			Year Ended December 31, 2021	
	Recorded Investment	Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Received
With an allowance recorded:					
Residential real estate	\$ 156,416	\$ 157,902	\$ 15,269		
Commercial real estate	92,398	114,760	36,674		
Commercial	-	-	-		
Agricultural real estate	518,525	518,525	32,198		
Agricultural	-	-	-		
	<u>767,339</u>	<u>791,187</u>	<u>84,141</u>		
With no allowance recorded:					
Residential real estate	464,553	775,387	-		
Commercial real estate	464,321	1,072,550	-		
Commercial	15,632	92,434	-		
Agricultural real estate	-	-	-		
Agricultural	170,044	170,044	-		
	<u>1,114,550</u>	<u>2,110,415</u>	<u>-</u>		
Total:					
Residential real estate	620,969	933,289	15,269	\$ 667,911	\$ 21,972
Commercial real estate	556,719	1,187,310	36,674	903,163	183,184
Commercial	15,632	92,434	-	16,745	5,647
Agricultural real estate	518,525	518,525	32,198	790,832	67,873
Agricultural	170,044	170,044	-	233,202	18,469
Total	<u>\$ 1,881,889</u>	<u>\$ 2,901,602</u>	<u>\$ 84,141</u>	<u>\$ 2,611,853</u>	<u>\$ 297,145</u>

Note 6. Allowance for Loan Losses and Credit Quality (Continued)

	December 31, 2020			Year Ended December 31, 2020	
	Recorded Investment	Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Received
With an allowance recorded:					
Residential real estate	\$ 223,693	\$ 235,338	\$ 7,427		
Commercial real estate	1,317,871	1,341,768	29,794		
Commercial	-	-	-		
Agricultural real estate	620,743	620,743	41,842		
Agricultural	-	-	-		
	<u>2,162,307</u>	<u>2,197,849</u>	<u>79,063</u>		
With no allowance recorded:					
Residential real estate	759,032	1,118,727	-		
Commercial real estate	404,968	1,113,843	-		
Commercial	18,574	95,376	-		
Agricultural real estate	473,634	473,634	-		
Agricultural	299,570	299,570	-		
	<u>1,955,778</u>	<u>3,101,150</u>	<u>-</u>		
Total:					
Residential real estate	982,725	1,354,065	7,427	\$ 986,782	\$ 21,071
Commercial real estate	1,722,839	2,455,611	29,794	2,565,834	44,890
Commercial	18,574	95,376	-	20,213	2,915
Agricultural real estate	1,094,377	1,094,377	41,842	806,772	56,053
Agricultural	299,570	299,570	-	213,577	13,275
Total	<u>\$ 4,118,085</u>	<u>\$ 5,298,999</u>	<u>\$ 79,063</u>	<u>\$ 4,593,178</u>	<u>\$ 138,204</u>

The following table provides information with respect to troubled debt restructurings (TDR) as of and for the year ended December 31, 2021 and 2020, respectively:

	Residential Real Estate	Commercial Real Estate	Commercial	Agricultural Real Estate	Total
Balance, December 31, 2020	\$ 541,235	\$ 376,373	\$ 18,574	\$ 454,783	\$ 1,390,965
Additions	-	-	-	-	-
Charge-offs	-	-	-	-	-
Paydowns	(276,109)	(237,012)	(2,942)	(72,464)	(588,527)
Balance, December 31, 2021	<u>\$ 265,126</u>	<u>\$ 139,361</u>	<u>\$ 15,632</u>	<u>\$ 382,319</u>	<u>\$ 802,438</u>

Note 6. Allowance for Loan Losses and Credit Quality (Continued)

	Residential Real Estate	Commercial Real Estate	Commercial	Agricultural Real Estate	Total
Balance, December 31, 2019	\$ 582,294	\$ 444,480	\$ 24,508	\$ 525,059	\$ 1,576,341
Additions	-	-	-	-	-
Charge-offs	-	-	-	-	-
Paydowns	(41,059)	(68,107)	(5,934)	(70,276)	(185,376)
Balance, December 31, 2020	<u>\$ 541,235</u>	<u>\$ 376,373</u>	<u>\$ 18,574</u>	<u>\$ 454,783</u>	<u>\$ 1,390,965</u>

There were no new troubled debt restructurings during 2021 or 2020.

At December 31, 2021 and 2020, the Bank was not committed to lend any additional funds to borrowers whose loans were nonperforming, impaired or restructured.

Note 7. Bank Premises and Equipment

The major classes of bank premises and equipment and the total accumulated depreciation at December 31 are as follows:

	2021	2020
Land and land improvements	\$ 1,888,366	\$ 2,179,659
Building and improvements	6,293,913	7,076,169
Furniture and equipment	4,498,985	4,137,846
	<u>12,681,264</u>	<u>13,393,674</u>
Less accumulated depreciation	<u>7,057,909</u>	<u>7,079,773</u>
	<u>\$ 5,623,355</u>	<u>\$ 6,313,901</u>

Depreciation included in occupancy and equipment expense amounted to \$466,484 and \$464,249 for the years ended December 31, 2021 and 2020, respectively.

The Bank's Essex branch location was closed in September 2020 based on bona fide business considerations including operational profitability, the ability to generate deposits and the location of the property. Subsequent to the branch closure, management determined an impairment existed in regard to the building and land. An impairment expense of \$239,000 was recorded at December 31, 2020 to write-down the net book value to the estimated fair market value of the property. The impairment loss is separately stated under the other expenses section on the Statements of Income. During 2021, the building and land were sold resulting in a gain of \$39,402.

In addition, at December 31, 2021, management determined that land located in the Town of Richford was impaired. The land with a cost basis of \$61,293 was originally purchased in May 2000 with the intention of building a branch location. Fair market value was calculated based on tax assessed value of \$51,500 adjusted for common level of appraisal of 112.34 resulting in an estimated fair market value of \$45,843. Common Level of Appraisal (CLA) is an adjustment to listed property values. The State calculates a CLA annually for each town to adjust the listed value of properties to

Note 7. Bank Premises and Equipment (Continued)

reflect fair market value as nearly as possible. The resulting value was reduced further to \$20,000 to account for other carrying costs such as taxes, environmental, etc. An impairment loss of \$41,293 was recorded at December 31, 2021 to write-down the net book value to the estimated fair market value of the property. The impairment loss is separately stated under the other expenses section on the Statements of Income.

Note 8. Other Real Estate Owned

At December 31, 2021 and 2020, the recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure procedures are in process is \$45,200 and \$45,824, respectively.

Note 9. Deposits

The following is a maturity distribution of time deposits at December 31, 2021:

Maturing in 2022	\$ 25,263,306
Maturing in 2023	9,286,565
Maturing in 2024	6,216,294
Maturing in 2025	3,955,487
Maturing in 2026 and thereafter	<u>4,874,929</u>
	<u>\$ 49,596,581</u>

U.S. government and federal agency securities with a cost of \$5,040,003 and \$4,717,971 and a fair value of \$5,118,228 and \$4,945,066 were pledged to collateralize certain municipal deposits at December 31, 2021 and 2020, respectively.

Note 10. Repurchase Agreements

Securities sold under agreements to repurchase amounted to \$3,250,000 and \$3,210,809 as of December 31, 2021 and 2020, respectively. These agreements are collateralized by U.S. government and federal agency securities with a amortized cost of \$3,508,729 and \$3,515,048 and a fair value of \$3,636,845 and \$3,747,100 at December 31, 2021 and 2020, respectively. The securities underlying these agreements are held in safekeeping by the Bank.

The average daily balance of these repurchase agreements approximated \$3,134,125 and \$2,927,630 during 2021 and 2020, respectively. The maximum borrowings outstanding on these agreements at any month-end reporting period of the Bank was \$3,250,000 in 2021 and 2020, respectively. The weighted average rate for repurchase agreements was 0.25% at December 31, 2021 and 2020, respectively.

Note 11. Borrowed Funds

The Bank maintains an unsecured \$3,000,000 federal funds line of credit with Atlantic Community Bankers Bank which was unused at December 31, 2021 and 2020.

Note 12. Income Taxes

Income tax expense included in the Statements of Income for the years ended December 31 were as follows:

	2021	2020
Currently payable	\$ 324,639	\$ 208,138
Deferred	<u>96,845</u>	<u>(168,095)</u>
	<u>\$ 421,484</u>	<u>\$ 40,043</u>

Total income tax expense differed from the amounts computed by applying the U. S. Federal income tax rate of 21% for 2021 and 2020 to income before income taxes as a result of the following at December 31:

	2021	2020
Computed expected tax expense	\$ 575,859	\$ 469,326
Disallowed interest expense	3,303	3,255
Municipal income	(142,941)	(141,724)
Employee retention credit	(68,399)	-
Boli income	(18,329)	(18,572)
Tax credits	-	(275,897)
Other, net	<u>71,991</u>	<u>3,655</u>
	<u>\$ 421,484</u>	<u>\$ 40,043</u>

The deferred income tax provision consisted of the following items at December 31:

	2021	2020
Nonaccrual loan interest	\$ 29,010	\$ (13,603)
Depreciation	(9,822)	(2,383)
Bad debts	-	(126,000)
Deferred directors fees	(22,234)	(36,941)
Mortgage servicing rights	30,076	41,001
Limited partnerships	28,297	20,021
Branch impairment	41,518	(50,190)
Other	<u>-</u>	<u>-</u>
	<u>\$ 96,845</u>	<u>\$ (168,095)</u>

Note 12. Income Taxes (Continued)

The significant components of the net deferred tax asset consisted of the following items at December 31:

	2021	2020
Components of deferred tax assets:		
Bad debts	\$ 369,277	\$ 369,277
Off balance sheet accrual	6,154	6,154
Nonaccrual loan interest	214,991	244,001
Branch impairment	8,672	50,190
Deferred directors fees	134,192	111,958
Total deferred tax asset	<u>733,286</u>	<u>781,580</u>
Valuation allowance	<u>-</u>	<u>-</u>
Total deferred tax asset, net of valuation allowance	<u>733,286</u>	<u>781,580</u>
Components of deferred tax liability:		
Depreciation	(51,894)	(61,716)
Mortgage servicing rights	(168,685)	(138,609)
Limited partnerships	(36,823)	(8,526)
Unrealized gain on securities available-for-sale	(201,483)	(359,220)
Other	<u>(110,000)</u>	<u>(110,000)</u>
Total deferred tax liability	<u>(568,885)</u>	<u>(678,071)</u>
Net deferred tax asset	<u>\$ 164,401</u>	<u>\$ 103,509</u>

Net deferred tax asset is included in the caption “other assets” on the balance sheets at December 31, 2021 and 2020, respectively. The deferred tax asset valuation allowance did not change during 2021 and 2020.

Deferred tax assets are recognized subject to management's judgment that realization is more likely than not as GAAP allows for the recognition and measurement of deductible temporary differences to the extent that it is more likely than not that the deferred tax asset will be realized. Based on the temporary taxable items, historical taxable income and estimates of future taxable income, the Bank believes that it is more likely than not that the deferred tax assets at December 31, 2021 will be realized.

Based on management's evaluation, management has concluded that there were no significant uncertain tax positions requiring recognition in the Bank's financial statements at December 31, 2021. Although the Bank is not currently the subject of tax examination by the Internal Revenue Service (IRS), the Bank's tax years ended December 31, 2018 through 2021 are open to examination by the IRS under the applicable statute of limitations.

Note 12. Income Taxes (Continued)

The Bank may from time-to-time be assessed interest and/or penalties by federal or state tax jurisdictions, although any such assessments historically have been minimal and immaterial to the Bank's financial results. In the event that the Bank receives an assessment for interest and/or penalties, it will be classified in the financial statements as “Other expense”.

Note 13. Pension Plan

The Bank maintains a contributory 401(k) pension plan covering all employees who meet certain age and service requirements. Contributions to the plan are voluntary by the eligible participants up to certain limits. Employee contributions are matched dollar for dollar for every dollar contributed up to six percent of the participant's salary. Contributions to the plan by the Bank for the years ended December 31, 2021 and 2020 amounted to \$242,662 and \$251,523, respectively.

Note 14. Commitments and Contingencies

In the normal course of business, the Bank is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the Bank's financial statements.

Note 15. Financial Instruments with Off-Balance-Sheet Risk

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, standby letters of credit, interest rate caps and floors written on adjustable rate loans, and commitments to sell loans. Such instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of those instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, standby letters of credit, and commercial letters of credit is represented by the contractual notional amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. For interest rate caps and floors written on adjustable rate loans, the contract or notional amounts do not represent exposure to credit loss. The Bank controls the credit risk of their interest rate cap agreements through credit approvals, limits, and monitoring procedures. The Bank generally requires collateral or other security to support financial instruments with credit risk.

	Contract or Notional Amount	
	2021	2020
Financial instruments whose contract amount represent credit risk:		
Commitments to extend credit and available lines of credit	<u>\$ 48,512,000</u>	<u>\$ 42,539,000</u>
Stand by letters of credit and commercial letters of credit	<u>\$ 672,000</u>	<u>\$ 981,000</u>

Note 15. Financial Instruments with Off-Balance-Sheet Risk (Continued)

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. At December 31, 2021, the Bank had binding loan commitments at fixed rates totaling \$12,469,640 that are included in commitments to extend credit.

The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the customer. Collateral held varies but may include real estate, accounts receivable, inventory, property, plant, and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

The Bank enters into a variety of interest rate contracts, including interest rate caps and floors written on adjustable rate loans in managing its interest rate exposure. Interest rate caps and floors on loans written by the Bank enable customers to transfer, modify or reduce their interest rate risk.

Note 16. Transactions with Related Parties

The Bank has had, and may be expected to have in the future, banking transactions in the ordinary course of business with directors, principal officers, their immediate families and affiliated companies in which they are principal shareholders (commonly referred to as related parties), all which have been, in the opinion of management, on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others.

Aggregate loan transactions with related parties as of December 31 were as follows:

	2021	2020
Balance, beginning	\$ 5,076,742	\$ 5,781,250
New loans	1,982,524	225,000
Repayments	(3,742,191)	(901,982)
Other	<u>-</u>	<u>(27,526)</u>
Balance, ending	<u>\$ 3,317,075</u>	<u>\$ 5,076,742</u>

Deposit accounts with related parties approximated \$2,886,354 and \$3,213,256 at December 31, 2021 and 2020, respectively.

The Bank utilizes an appraisal company owned by a director for loan appraisal services. Appraisal fees are reimbursed to the Bank from the respective borrowers.

Note 16. Transactions with Related Parties (Continued)

The Bank has instituted a split dollar deferred compensation plan for certain officers. The vehicle is funded through Bank Owned Life Insurance (BOLI). The BOLI had a balance of \$4,177,172 and \$4,089,891 as of December 31, 2021 and 2020, respectively. The accrued deferred compensation was \$148,093 and \$133,295 as of December 31, 2021 and 2020, respectively.

Amounts due officers and directors under non-qualified deferred compensation agreements were \$639,011 and \$533,133 at December 31, 2021 and 2020, respectively.

Note 17. Disclosures about Fair Value of Financial Instruments**Fair Value Measurement**

The following methods and assumptions were used by the Bank in estimating its fair value disclosures for financial instruments, and for assets measured on recurring basis and non-recurring basis:

Cash and due from banks: The carrying amounts reported in the balance sheet for cash and due from banks, including certificates of deposit, approximate those assets' fair values.

Investment securities: Fair values for investment securities are based on quoted market prices, where available (level one valuation). If quoted market prices are not available, fair values are calculated based on a formula which uses matrices which interpolate prices according to observable inputs for similar items such as sector, credit spread, rating, maturity, and option premium (level two valuations).

Federal Home Loan Bank stock: The carrying amount of this stock approximates its fair value.

Loans and loans held for sale: For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying amounts. The fair values of other loans (for example, fixed rate commercial real estate and rental property mortgage loans and commercial and industrial loans) are estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Loan fair value estimates include judgments regarding future expected loss experience and risk characteristics. Collateral values are estimated using Level 2 inputs based on appraisals of similar properties obtained from a third-party valuation service. Fair values for impaired loans are estimated using Level 3 inputs based on appraisals of similar properties obtained from a third-party valuation service discounted by management based on historical losses for similar collateral and discounted cash flow analysis.

Other real estate owned: Other real estate owned is reported at the fair value of the underlying collateral. Collateral values are estimated using Level 3 inputs based on appraisals of similar properties obtained from a third-party valuation service discounted by management based on updated information.

Note 17. Disclosures about Fair Value of Financial Instruments (Continued)

Deposits: The fair values disclosed for demand deposits (for example, checking and savings accounts) are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The fair values for certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated contractual maturities on such time deposits (Level 2).

Repurchase agreements and borrowed funds: For repurchase agreements and borrowed funds (including Federal funds purchased) that reprice frequently, fair values are based on carrying amounts. The fair values for other borrowings are estimated using a discounted cash flow calculation that applies interest rates currently being offered on such debt to a schedule of aggregated contractual maturities on such debt (Level 2).

Accrued interest: The carrying amount of accrued interest receivable and payable approximates fair value.

Other liabilities: Commitments to extend credit were evaluated and fair value was estimated using the fees currently charged to enter into similar agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair market value for off balance sheet financial instruments was immaterial at December 31, 2021 and 2020.

The estimated fair values of the Company's financial instruments at December 31 are as follows:

	2021	
	Carrying Amount	Estimated Value
Financial assets:		
Cash and cash equivalents	\$ 3,739,364	\$ 3,739,364
Interest bearing deposits with banks	121,769,333	121,769,333
Certificates of deposit	2,994,000	2,994,000
Securities available-for-sale	61,347,187	61,347,187
FHLB stock	223,700	223,700
Loans receivable and loans held-for-sale, net (Level 2)	177,277,294	179,006,795
Impaired loans (Level 3)	1,797,748	1,797,748
Accrued interest receivable	851,611	851,611
Financial liabilities:		
Deposits (Level 2)	339,950,318	340,625,300
Repurchase agreements (Level 2)	3,250,000	3,250,000
Accrued interest payable	19,807	19,807

Note 17. Disclosures about Fair Value of Financial Instruments (Continued)

	2020	
	Carrying Amount	Estimated Value
Financial assets:		
Cash and cash equivalents	\$ 6,733,300	\$ 6,733,300
Interest bearing deposits with banks	77,112,072	77,112,072
Certificates of deposit	3,740,000	3,740,000
Securities available-for-sale	55,878,642	55,878,642
FHLB Stock	223,700	223,700
Loans receivable and loans held-for-sale, net (Level 2)	176,724,779	179,867,585
Impaired loans (Level 3)	4,039,022	4,039,022
Accrued interest receivable	946,455	946,455
Financial liabilities:		
Deposits (Level 2)	296,388,489	297,285,603
Repurchase agreements (Level 2)	3,210,809	3,210,809
Accrued interest payable	29,211	29,211

The carrying amounts in the preceding table are included in the balance sheets under the applicable captions.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2021 and 2020 are as follows:

	Fair Value	Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2021				
Loans held for sale	\$ -	\$ -	\$ -	\$ -
Investments - AFS				
U.S. Government and Federal Agencies	35,758,719	-	35,758,719	-
State and municipal securities	25,588,468	-	25,588,468	-
	<u>\$ 61,347,187</u>	<u>\$ -</u>	<u>\$ 61,347,187</u>	<u>\$ -</u>

Note 17. Disclosures about Fair Value of Financial Instruments (Continued)

	Fair Value	Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
Loans held for sale	\$ 2,854,900	\$ -	\$ 2,854,900	\$ -
Investments - AFS				
U.S. Government and Federal Agencies	34,990,607	-	34,990,607	-
State and municipal securities	20,888,035	-	20,888,035	-
	<u>\$ 58,733,542</u>	<u>\$ -</u>	<u>\$ 58,733,542</u>	<u>\$ -</u>

Fair values of assets and liabilities measured on a non-recurring basis at December 31, 2021 and 2020 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2021				
Impaired loans	\$ 1,797,748	\$ -	\$ -	\$ 1,797,748
	<u>\$ 1,797,748</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,797,748</u>
December 31, 2020				
Impaired loans	\$ 4,039,022	\$ -	\$ -	\$ 4,039,022
	<u>\$ 4,039,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,039,022</u>

There were \$767,339 of impaired loans with a related allowance as of December 31, 2021. The residential real estate loans were evaluated using discounts of appraisals ranging from 13% to 40% along with discounted cash flow analysis. The commercial real estate and agricultural real estate loans were evaluated using discounts of appraisals and asset valuations ranging from 15% to 55% along with discounted cash flow analysis.

There were no transfers between levels for both recurring and non-recurring assets for the years ended December 31, 2021 and 2020.

Note 18. Regulatory Capital Matters

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities is excluded in computing regulatory capital. Management believes as of December 31, 2021, the Bank met all capital adequacy requirements to which they are subject.

Prompt correction action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2021 and 2020, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

The Bank's actual capital amounts (000's omitted) and ratios are also presented in the table.

	<u>Actual</u>		<u>Minimums For Capital Adequacy Purposes</u>		<u>Minimums To Be Well Capitalized Under Prompt Corrective Action Provisions</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
As of December 31, 2021						
Total capital						
(to risk weighted assets)	\$ 39,042	21.18%	\$ 14,750	8.00%	\$ 18,437	10.00%
Tier I (core) capital						
(to risk weighted assets)	\$ 36,729	19.92%	\$ 11,062	6.00%	\$ 14,750	8.00%
Common Tier 1 (CET1)						
(to risk weighted assets)	\$ 36,729	19.92%	\$ 8,297	4.50%	\$ 11,984	6.50%
Tier I (core) capital						
(to average assets)	\$ 36,729	9.51%	\$ 15,444	4.00%	\$ 19,305	5.00%
As of December 31, 2020						
Total capital						
(to risk weighted assets)	\$ 37,509	20.11%	\$ 14,924	8.00%	\$ 18,655	10.00%
Tier I (core) capital						
(to risk weighted assets)	\$ 35,171	18.85%	\$ 11,193	6.00%	\$ 14,924	8.00%
Common Tier 1 (CET1)						
(to risk weighted assets)	\$ 35,171	18.85%	\$ 8,395	4.50%	\$ 12,126	6.50%
Tier I (core) capital						
(to average assets)	\$ 35,171	10.32%	\$ 13,636	4.00%	\$ 17,045	5.00%

Note 19. Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The FOMC also decreased the federal funds rate 150 basis points in March to .25% because of the economic uncertainty caused by the pandemic. This resulted in other rates tumbling to record lows. We are now in year three of the pandemic. The record low rate environment has negatively impacted the bank's interest income. This has been more than offset by gain on sale of loans and the stimulus money provided by the U.S. Government. As of December 31, 2021, the pandemic has not caused a reduction to the bank's net income but it has limited growth in the bank's loan portfolio. There are still economic uncertainties that may negatively impact net income in the future as the pandemic continues. Other financial impacts could occur, though such potential impacts are unknown at this time.

The Company has evaluated subsequent events through February 9, 2022, the date which the financial statements were available to be issued.

BOARD OF DIRECTORS EXECUTIVE/ OTHER OFFICERS

Board of Directors

Frank J. Cioffi, Member of Board of Directors of Peoples Trust Company of St. Albans since 2009
Chairman of the Board, GBIC (Greater Burlington Industrial Corp.)

John T. Gallagher, Member of Board of Directors of Peoples Trust Company of St. Albans since 1991
Owner and President, Gallagher Inc.

Mark E. Lareau, Member of Board of Directors of Peoples Trust Company of St. Albans since 2001
Owner, Lareau Appraisal Service

Linda M. LeBlanc, Member of Board of Directors of Peoples Trust Company of St. Albans since 2005
Current Secretary of the Board
Retired Senior Executive Officer/Chief Operations Officer of Peoples Trust Company of St. Albans

Leon J. Berthiaume, Member of Board of Directors of Peoples Trust Company of St. Albans since 2008
Senior Advisor for Dairy Farmers of America

Thomas J. Gallagher, Member of Board of Directors of Peoples Trust Company of St. Albans since 2011
President/CEO of Peoples Trust Company of St. Albans

John P. Casavant, Member of Board of Directors of Peoples Trust Company 2016
Part owner and Vice President at NFP, Inc.
(formerly Hackett, Valine and McDonald)

David J. Handy, Member of Board of Directors of Peoples Trust Company 2016
Co-owner of Handy Buick, Cadillac, GMC, Inc.

Gordon A. Winters, Member of Board of Directors of Peoples Trust Company 2016
Owner, ACE Hardware stores in Milton, Jericho, St. Albans, Burlington VT and Champlain, NY

Executive Officers

Thomas J. Gallagher President/CEO
Aaron A. Reynolds Senior Executive Vice President/CFO

Other Officers

Michael J. Elmore Senior Vice President, CIO
Angela M. Poirier Senior Vice President, CLS
Barbara J. Toof Senior Vice President, CRBO
Carol C. Spillane Senior Vice President
Lloyd W. Larrow Senior Vice President
Stacey M. Cauller Senior Vice President
Anne E. Gosselin Senior Vice President
Danielle E. Manahan Senior Vice President
Janice L. LaRocque Senior Vice President, BSA
Lyle D. Poirier Vice President
Jay C. Cummings Vice President
Rachael A. Brown Vice President



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Company
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